

VZCZCXYZ0022
RR RUEHWEB

DE RUEHWN #0116/01 0561432
ZNR UUUUU ZZH
R 251432Z FEB 08
FM AMEMBASSY BRIDGETOWN
TO RUEHC/SECSTATE WASHDC 6117
INFO RUCPDO/DEPT OF COMMERCE WASHDC
RUEHDG/AMEMBASSY SANTO DOMINGO 5899

UNCLAS BRIDGETOWN 000116

SIPDIS

SIPDIS

DEPARTMENT FOR WHA/CAR
DEPARTMENT FOR EB/IFD/OIA

E.O. 12958: N/A
TAGS: [EINV](#) [EFIN](#) [ETRD](#) [ELAB](#) [KTDB](#) [PGOV](#) [XL](#)
SUBJECT: INVESTMENT CLIMATE STATEMENT, 2008

REF: 07 STATE 158802

OPENNESS TO FOREIGN INVESTMENT

11. (U) Barbados is open for business. The Government of Barbados, through the Barbados Investment and Development Corporation (BIDC, a.k.a. "Invest Barbados"), strongly encourages foreign direct investment in Barbados, particularly in industries that create jobs and earn foreign currency.

12. (U) The Government offers special incentive packages for foreign investments in the hotel industry, manufacturing, and offshore business services. For example, International Business Companies (IBCs) have a maximum tax rate of 2.5 percent on income and exemption from foreign exchange controls.

13. (U) The services sector holds the largest potential for growth, especially in the areas of financial services, e-commerce, medical transcription, tourism, educational, health, and cultural services. In agriculture, the slow demise of the sugar industry has opened up land for other agricultural uses, and investment opportunities exist in the areas of Sea Island cotton, alternative and renewable energy, and hydroponics. In the financial services sector, offshore banks and insurance companies saw a temporary drop-off in activity as the Government improved regulatory oversight, but the industry is thriving again under better regulatory standards, designed to prevent money laundering and tax evasion.

14. (U) Telecom liberalization is bringing an end to the longstanding monopoly of Cable and Wireless, and has introduced competition, lowered the cost of international telecommunications, and enhanced the telecom infrastructure. Since 2000, the Government has gradually allowed more companies to compete in the sector, and by early 2005 there was full competition in wireless and long distance service. The Government has established policy with respect to Voice over Internet Protocol (VoIP) regulations, which was approved on August 15, 2007. To prepare a workforce skilled in advanced IT services, the Government and educational institutions such as the Barbados Community College and the University of the West Indies have undertaken educational and training initiatives.

15. (U) Foreign nationals receive the same legal protections as local citizens. The police and court systems are efficient and unbiased in commercial matters, and the government operates in an essentially transparent manner.

16. (U) Local enterprises generally welcome joint ventures with foreign investors in order to access technology, expertise, markets, and capital. Barbados' economy is small, however, and new enterprises that might compete with entrenched local establishments, especially in the retail and restaurant sector, may face a de facto veto of their license by local interests. In the past, the government did not approve, or considerably delayed, licenses for

importers of U.S. ice cream and poultry products, and some U.S. fast food franchises.

CONVERSION AND TRANSFER POLICIES

¶17. (U) Companies can freely repatriate profits and capital from foreign direct investment if they registered with the Central Bank at the time of investment. The Central Bank may limit or delay conversions depending on the level of international reserves under the bank's control.

¶18. (U) The Ministry of Finance controls the flow of foreign exchange, and the Exchange Control Division of the Central Bank of Barbados executes fiscal policy under the Exchange Control Act. Individuals may apply through a local bank to convert the equivalent of USD 3,750 per year for personal travel and up to a maximum of USD 25,000 for business travel. To convert any amount over these limits, one must apply to the Central Bank.

EXPROPRIATION AND COMPENSATION

¶19. (U) The Barbados Constitution and Companies Act contain provisions that permit the Government to acquire compulsorily property for public use upon prompt payment of compensation at fair market value. The Embassy is not aware of any outstanding expropriation claims or nationalization of foreign enterprises in Barbados.

DISPUTE SETTLEMENT

¶110. (U) Barbados bases its legal system on the British common law system. The Attorney General, the Chief Justice, Puisne Judges, and Magistrates administer justice in Barbados. The new Caribbean Court of Justice (CCJ) replaced London's Privy Council as the highest court of appeal for Barbados in 2005.

¶111. (U) The United States and Barbados are both parties to the World Trade Organization (WTO). The WTO Dispute Settlement Panel and Appellate Body resolve disputes over WTO agreements, while courts of appropriate jurisdiction in both countries resolve private disputes. The Barbados Arbitration Act (1976) and the Foreign Arbitral Awards Act (1980), which recognizes the 1958 New York Convention on the Negotiation and Enforcement of Foreign Arbitral Awards, contain provisions for arbitration of investment disputes. Parliament has written The New York Convention's provisions into domestic law, but has yet to ratify the convention.

¶112. (U) Barbados is also a member of the International Center for the Settlement of Investment Disputes (ICSID), also known as the Washington Convention. Additionally, individual agreements between Barbados and multilateral lending agencies have provisions calling on Barbados officials to accept recourse to binding international arbitration to resolve investment disputes between foreign investors and the state.

PERFORMANCE REQUIREMENTS AND INCENTIVES

¶113. (U) While there are no formal performance requirements, government officials will more likely approve investments they believe will create jobs and increase exports and foreign exchange earnings. There are no requirements for participation either by nationals or by the Government in foreign investment projects.

¶114. (U) There is no requirement that enterprises must purchase a fixed percentage of goods from local sources, but the Government encourages local sourcing.

¶115. (U) Companies must meet export performance requirements to take advantage of certain tax incentives. For example, "enclave enterprises" must produce goods exclusively for export outside the CARICOM region. Foreign investors must finance their investments from external sources or from income that the investment generates. When a foreign investment generates significant employment or other tangible benefits for the country, the authorities may allow the

company to borrow locally for working capital.

¶16. (U) There is no requirement that locals own shares of a foreign investor's enterprise, but some restrictions may apply to share transfers. The Companies Act does not permit bearer shares. Foreign investors do not need to establish facilities in any specific location, although there are zoning restrictions.

¶17. (U) Most investment incentives in Barbados are tax incentives, although there are some special programs for manufacturers. Potential investors should contact a licensed accountant and/or lawyer in Barbados to find out which incentives fit best with their goals.

¶18. (U) In the manufacturing sector, the Barbados Investment and Development Corporation (BIDC) has established ten well-equipped industrial parks with subsidized rent. The BIDC may also supply limited training grants and free technical assistance through two programs with a focus on developing local businesses: the Export Grant and Incentive Scheme and the Technical Assistance Program. The former helps both locally and foreign-owned companies (but only those foreign companies with management or marketing branches in Barbados) by defraying export costs such as the preparation and shipment of samples and the development of marketing materials. The latter helps companies solve a range of operational problems.

¶19. (U) The BIDC also offers local small businesses access to its Small Business Development Center, with conference room facilities, communications services, short-term office space, and a commercial library. To further help manufacturers, the Central Bank of Barbados has established an export credit guarantee scheme, covering pre-shipment financing requirements and post-shipment credit risks for manufacturing companies.

¶20. (U) The Fiscal Incentives Act (1974) provides a maximum 15-year tax holiday to any manufacturer of an approved product, provided that it meets the definition of an enclave enterprise: manufacturing exclusively for export outside of CARICOM; manufacturing approved products containing a specified percentage of local value added; or being highly capital intensive. Under the Fiscal Incentives Act, such enterprises may import duty-free equipment, spare parts, and raw materials from outside CARICOM. Dividends and other distributions to shareholders during the tax holiday are also exempt from the payment of income tax. Non-resident shareholders liable to tax in their country of residence are subject to Barbados withholding tax at a lower rate. To qualify for these incentives, the enterprise must apply to the Ministry of Economic Development.

¶21. (U) Enterprises not obtaining benefits under the Fiscal Incentives Act and generating export profits (other than from exports within CARICOM) may receive an export allowance expressed as a rebate of corporation tax (between 35-93 percent) on those profits. The maximum rebate of 93 percent applies if more than 81 percent of an enterprise's profits result from extra-regional exports.

¶22. (U) Initial Allowances or Investment Allowances of up to 40 percent on capital expenditure are available for businesses making capital expenditures on machinery and plants, or on an industrial building or structure. Annual depreciation allowances on such expenditures are also available.

¶23. (U) Barbados' method of calculating export allowance is as follows:

EXPORT PROFIT AS OF TOTAL PROFIT	PERCENTAGE	REBATE OF INCOME TAX AS PERCENTAGE OF INCOME TAX ON EXPORT PROFITS
-----		-----
Up to 20 percent		35 percent
21 percent, but under 41 percent		45 percent
41 percent, but under 61 percent		64 percent
61 percent, but under 81 percent		79 percent
81 percent and over		93 percent

¶24. (U) In the tourism sector, a Market Development Allowance allows a company to deduct an additional 50 percent of what it spends encouraging tourists to visit Barbados. Under the Tourism

Development Act of 2002, businesses and individuals that invest in the tourism sector can write off capital expenditure and 150 percent of interest. They are also exempt from import duties, the value added tax, and environmental levies on furniture, fixtures and equipment, building materials, supplies, and equity financing. The Act expands the definition of tourist sector to include not just accommodation, but restaurants, recreational facilities, and services. The Act encourages the development of attractions that emphasize the island's natural, historic, and cultural heritage, and also encourages construction of properties in non-coastal areas. The Minister of Tourism must approve all projects under this legislation.

¶25. (U) Regarding taxation, Barbados has entered into double taxation treaties with the United States, Canada, CARICOM, China, Cuba, Finland, Norway, Sweden, Switzerland, the United Kingdom, Botswana, Mauritius, Malta, and Venezuela. A new amendment to the tax treaty between the U.S. and Barbados went into effect on January 1, 2005. The revised tax treaty strengthens measures to prevent U.S. companies from using Barbados as a tax shelter on income earned in the United States.

¶26. (U) Offshore businesses may operate either free of income tax (e.g., captive insurance) or with a tax rate from 1 to 2.5 percent. An International Business Company (IBC) must by the terms of its incorporation export 100 percent of its services or products in order to enjoy the following tax rates on gains and profits:

GAINS AND NET PROFITS	CORPORATE TAX RATE
-----	-----
Up to USD 5 million	2.5 percent
USD 5-10 million	2.0 percent
USD 10-15 million	1.5 percent
Over USD 15 million	1.0 percent

¶27. (U) An IBC may import machinery and equipment into Barbados free from certain taxes and customs duties. IBCs also are exempt from withholding tax and tax on the transfer of their assets and may also make certain foreign exchange transactions free of exchange controls. IBCs in the information services sector receive a special tax rate of 2.5 percent on profits, full exemption from import duties on production-related equipment, including computers, full and unrestricted repatriation of capital, profits, dividends, rental of subsidized office space, and training grants to subsidize worker training.

¶28. (U) International financial service companies also enjoy several tax incentives. Under the Exempt Insurance Act, a company incorporating with a minimum capital of USD \$125,000 and at least one Barbadian director is eligible for taxation on profits at zero percent for the first fifteen years, and 2.5 percent on the first USD \$250,000 of profits thereafter, as well as an exemption from a withholding tax on royalties and exchange control restrictions. Its beneficial shareholders also must not be persons resident in CARICOM. In 1998, legislation allowed companies involved in the international insurance business to register as Qualifying Insurance Companies, entitled to: a tax rate of 2.8 percent, after deducting a foreign currency earnings allowance, and exemption from withholding taxes and exchange controls.

¶29. (U) The International Trust Act allows non-residents to create trusts for the benefit of non-residents, with no minimum capital requirements and no withholding taxes, but subject to 40 percent tax on profits earned in or remitted to Barbados. Exempt Societies of Restricted Liability, which may not acquire land in Barbados or transact business with CARICOM residents, enjoy certain concessions for up to 30 years, including exemption from exchange controls and withholding tax on dividends, royalties, interest, or other interest paid to non-residents. The European Union's 2001 WTO challenge to the U.S. Foreign Sales Corporations (FSC) has eliminated the exemption to U.S. taxes previously enjoyed on profits derived from FSC export sales.

¶30. (U) The Shipping Incentives Act of 1982 provides concessions to shipping companies engaged in the operation of passenger ships, leasing of ships, shipbuilding, maintenance or repair. The concessions include a ten-year exemption on tax and custom duties on materials connected with the shipping activities.

RIGHT TO PRIVATE OWNERSHIP AND ESTABLISHMENT

¶31. (U) There is a constitutional right for nationals and non-nationals to establish and own private enterprises and private property in Barbados. These rights also pertain to the acquisition and disposition of interests in private enterprises.

¶32. (U) No industries are officially closed to private enterprise, although the Government reserves the right not to allow certain investments. Some activities, such as telecommunications, utilities, broadcasting, banking, and insurance, require a license from the Government. There is no percentage, or other restrictions, on foreign ownership of a local enterprise or participation in a joint venture.

¶33. (U) The Government of Barbados has been engaged for the past several years in efforts to strengthen the private sector by divesting itself of a number of costly and often unprofitable state-owned enterprises. Since 1992, the Government has sold over USD 123.4 million of its commercial property to private investors through the sale of shares in Barbados External Telecommunications (to Cable & Wireless of the U.K.), Barbados Telephone Company (to Cable & Wireless), Barbados Mills (to Archer Daniels Midland), the Arawak Cement Company, Barbados Dairy Industries, Barbados National Oil Company, National Petroleum Corporation, Barbados Tourism Investment Inc., and Heywoods resorts. In July 2003, the Government sold its controlling stake in the Barbados National Bank to Republic Bank of Trinidad.

PROTECTION OF PROPERTY RIGHTS

¶34. (U) The Barbados Government has improved the legal regime for property rights. Civil law protects physical property and mortgage claims. Barbados signed the Paris Convention on Intellectual Property Rights (IPR), the Madrid accords, and is a member of the United Nations World Intellectual Property Organization (WIPO). The Government of Barbados adopted a new Copyright Act in August 1998, and amended it in 2004 to provide for tougher penalties. The Government also approved legislation in September 1998 for Integrated Circuits Topography and Protection against Unfair Competition and Geographical Indications. In addition, the Government recently revised The Trademark and Industrial Designs Acts to meet world standards. Article 45 of the Protocol Amending the Treaty that established CARICOM commits all 15 members to implement stronger IP protection and enforcement.

¶35. (U) IPR infringement in most areas is small-scale, although video stores sell and rent pirated DVDs and videos, and other stores sell illegal copies of computer software, designer items, and music.

TRANSPARENCY OF REGULATORY SYSTEM

¶36. (U) Barbados uses transparent policies and effective laws to foster competition and establish clear rules for foreign and domestic investors in the areas of tax, labor, environment, health, and safety. The regulatory system can be slow at times, and some companies have complained that the Ministry of Finance does not give adequate justification for rejecting a license.

¶37. (U) In the past, obtaining a work permit could be a difficult and time-consuming task. However, the International Business Customer Charter launched on November 26, 2007, provides for the processing of long and short term work permits in two to four weeks (2-4) weeks provided that the application is completed in totality. Work permits are of two types, short-term (for six months or less) and long-term (usually for no more than three years). To receive a work permit for senior management, the company must show that a Barbadian national or resident does not possess the skill set to fill the position.

¶38. (U) The principal regulatory agencies are the Ministry of Finance and the Ministry of Economic Affairs and Development. The Ministry of Finance regulates the Exchange Control Authority of the

Central Bank of Barbados, including inward investment, registration of foreign capital, currency accounts, and repatriation of capital and earnings. Local on-shore companies must meet fairly stringent exchange control requirements, but the Government welcomes investment by non-residents with external sources of financing.

¶39. (U) The Ministry of Economic Affairs and Development administers the Companies Act and other statutes dealing with company affairs. The Companies Act is modeled on the Canada Business Corporations Act, and creates flexibility and simplicity for the incorporation and operation of companies in Barbados.

¶40. (U) Companies using or manufacturing chemicals must obtain approval of their environmental and health practices from the Barbados National Standards Institution and the Ministry of Health's Environmental Division.

¶41. (U) The Ministry of Commerce, Consumer Affairs, and Business Development on rare occasions imposes price controls, listed in the Official Gazette. The Government controls gasoline prices.

¶42. (U) Barbados enacted legislation in 2000 to create the Fair Trading Commission (FTC) to provide consumer protection in telecommunication and utility services. There is no specific antitrust legislation in Barbados.

¶43. (U) The Minister of Economic Affairs and Development or the Minister of Finance must approve foreign investment. The Chief Town Planner must approve new construction or changes in land use. Zoning restrictions protect agricultural land, and the Government pursues policies to ensure environmental integrity.

¶44. (U) The Central Bank must approve real property purchases for non-residents. If a non-resident uses foreign funds and pays for the property in Barbados, the Central Bank will normally approve the transaction. When they sell the property, non-residents need to pay the 2.5 percent Property Transfer Tax in addition to brokerage and legal fees. The Commissioner of Land Tax charges an annual fee based on the assessed property value. The Government taxes hotels on 50 percent of the improved value at 0.65 percent, and residential properties are taxed as follows:

Up to USD 62,500	0 percent
USD 62,500 up to 112,500	0.1 percent
USD 112,500 up to 250,000	0.45 percent
USD 250,000 up to 425,000	0.75 percent

EFFICIENT CAPITAL MARKETS AND PORTFOLIO INVESTMENT

¶45. (U) Barbados has a small stock exchange, an active banking sector, and opportunities for portfolio investment. Local policies seek to facilitate the free flow of financial resources, unless there is a shortage of funds. The Government has, in the past, intervened in the local credit market to control interest rates, limit the volumes of funds available for borrowing, and borrow on the local market. However, the Central Bank has raised interest rates five times in the past 18 months without any government intervention. There are a variety of credit instruments in the commercial and public sectors that local and foreign investors may access.

¶46. (U) The Government has implemented a continuous review process for legislation in the financial sector in an effort to strengthen and improve the regulatory regime in order to attract and facilitate retention of foreign portfolio investments. The Bank Supervision Department of the Central Bank undertook a self-assessment in 2000, and found their on-shore and offshore sectors in general compliance with the Basel Core Principles of Effective Banking Supervision utilizing the Basel Committee's Core Principles Methodology. The International Financial Services Act, which replaced the Offshore Banking Act in June 2002, incorporates the Basel standards, and provides for on-site examinations of offshore banks. This allows the Central Bank to augment its offsite surveillance system of reviewing anti-money laundering policy documents and analyzing prudential returns.

¶47. (U) Under the authority of the Money Laundering and Financing of Terrorism Prevention and Control Act, Cap 129, the Government established the Anti-Money Laundering Authority and its operating arm, the Financial Intelligence Unit, in 2000. The Bank Supervision Department of the Central Bank of Barbados, in conjunction with the Anti-Money Laundering Authority in 2001, issued in 2001 the Anti-Money Laundering Guidelines for Licensed Financial Institutions, which were revised in 2006.

¶48. (U) The Barbados domestic financial sector consists of two indigenous and three international commercial banks, two of which operate merchant banks and one a trust company. There are also 38 credit unions and one money remitter. The offshore sector includes 4,932 international business companies, 426 exempt insurance companies and 54 offshore banks (December 2006 figures). Starting in 2001, the Government required Barbados institutions and legal entities to reveal the identity of beneficiaries receiving dividends and/or interest.

¶49. (U) Assets of commercial banks totaled USD 5.4 billion in October 2007, and remained relatively consistent throughout the year. The reserve requirement for commercial banks was 15 percent of deposit liabilities, and the minimum deposit rate was 4.75 percent at the end of October 2007. The weighted average interest rate was 5.13 percent on deposits and 10.79 percent on loans for the same period.

¶50. (U) Domestic deposits expanded by USD 477.75 million by October 2007 following growth of USD 215.95 million in the previous year. Accounts of private individuals, financial institutions, statutory bodies, business firms, and Government recorded growth of USD 213.5 million, USD 80.75 million, USD 72.85 million, USD 21.5million, and USD 16.1 million, respectively.

¶51. (U) Credit to the non-financial private sector expanded by USD 108.6 million by the end of October 2007, following growth of USD 169.7 million for the comparable period in 2006. Lending to the personal sector, professional and other services, public utility companies, and entertainment and catering, increased by USD 106.55 million, USD 30.2 million, USD 12.4 million, and USD 6.1 million, respectively. Commercial bank lending for industrial and commercial mortgages averaged USD 52.6 million at the end of September 2007, whereas commercial bank lending to residents and non-residents averaged USD 665.4 million and USD 8.7 million respectively.

¶52. (U) The Securities Exchange Act of 1982 established the Securities Exchange of Barbados (SEB), which was re-incorporated as the Barbados Stock Exchange (BSE) in 2001. The 1982 Act was replaced by the Securities Act, Cap 318A, which removed regulatory responsibility for the securities market activity from the BSE. This Act helped to strengthen the regulatory framework and development of the capital market. In 1997, the BSE began trading corporate stocks and fixed income securities, including Government bonds (not commercial paper). Activities on the BSE include regional cross-border trading arrangements for shares listed on the Trinidad and Jamaica stock exchanges.

¶53. (U) The BSE operates a two-tier electronic trading system comprised of a Regular Market and a Junior Market. Companies applying for listing on the Regular Market must observe and comply with certain requirements. Specifically they must inter alia have assets of not less than USD 500,000 and adequate working capital based on the last three years of their financial performance, as well as three-year projected performance. Companies must also evidence competent management and be incorporated under the laws of Barbados or other regulated jurisdiction approved by the Securities Commission. Applications for listing on the Junior Market are less onerous, requiring minimum equity of one million shares at a stated minimum value of USD 100,000. Reporting and disclosure requirements for all listed companies include interim financial statements, and an annual report and questionnaire. Non-nationals must obtain exchange control approval from the Central Bank of Barbados to trade securities on the BSE.

¶54. (U) The Barbados Stock Exchange (BSE) is moving to full immobilization of traditional share certificates where clearance and settlement is fully computerized through a Central Securities Depository. However, investors requiring a traditional certificate

can be accommodated for a small fee and the transfer is adjudicated by the Securities Commission under the Property Transfer Tax Act. Mutual Funds are also regulated by the Securities Commission in accordance with the Mutual Funds Act, Cap 320B.

¶55. (U) The Barbados Stock Exchange (BSE) recorded an overall improvement in its performance during the third quarter of 2007, compared with the previous two quarters. This outturn was reflected in the Composite Index, which moved from 949.14 to 982.00, representing an increase of 3.5 percent. Movement was led by thirteen local companies, which advanced, while five declined, four remained firm and four did not trade during the quarter. Barbados Shipping and Trading Company, Limited (BS&T) recorded the largest share price increase for the review period, with growth of approximately 63 percent. Barbados Farms Limited and BICO Limited followed with share price increases of 10.5 percent and 8.3 percent, respectively. Conversely, ANSA McAl (Barbados) Limited, suffered the largest decline in share price of 9.9 percent, followed by the West Indies Rum Distilleries Limited, with a 5.6 percent decrease. The volume leader in the regular market was BS&T with 5.6 billion shares traded, accounting for 45 percent of the total shares traded and making its stock the most liquid security for the period. The increase in share price and trading activity was partly due to the intense take-over battle for the company. As both volume and price leader, BS&T was also the value leader for the quarter, with the total value of its shares traded recorded at USD 24.35 million.

POLITICAL VIOLENCE

¶56. (U) Barbados has not experienced political violence since riots in the 1930s.

CORRUPTION

¶57. (U) Corruption is not a major problem in Barbados, but some U.S. companies have reported unfair treatment by Barbados' Customs and Excise Department.

BILATERAL INVESTMENT AGREEMENTS

¶58. (U) Barbados has no bilateral investment treaty with the United States, but has a double taxation treaty and tax information exchange agreement. Barbados has bilateral investment treaties with Canada (CARIBCAN), China, Cuba, Germany, Italy, Switzerland, the U.K., and Venezuela.

OPIC AND OTHER INVESTMENT INSURANCE PROGRAMS

¶59. (U) In 1999, the U.S. Government's Overseas Private Investment Corporation (OPIC) signed with Citibank to establish a USD \$200 million Investment Facility for the Caribbean and Central America, as one means of encouraging investment and stimulating economic development. The Caribbean Development Bank, which is based in Barbados, administers this program. OPIC provides financing and political risk insurance to viable private sector projects, helps U.S. businesses invest overseas, and fosters economic development in new and emerging markets.

LABOR

¶60. (U) In 2007, Barbados' labor force was approximately 133,000, distributed in the following sectors: commerce, tourism, government, manufacturing, construction, agriculture, and fishing. The total average unemployment rate toward the end of 2007 was approximately 8.1 percent; 9.1 percent for females and 7.1 percent for males.

¶61. (U) Wages in Barbados are among the highest in the Caribbean. Minimum wages for only a few categories of workers are administratively established and enforced by law. The minimum wage for shop assistants, USD 2.50 per hour, is only marginally sufficient to meet minimum living standards. The Ministry of Labor and Social Security Labor Ministry recommended that companies use this as the de facto minimum wage, and most employees earned more

than the minimum wage. The Labor Department within that ministry was charged with enforcing the minimum wage. The standard legal workweek is 40 hours in five days, and the law requires overtime payment for hours worked in excess. The law prescribes that all overtime must be voluntary. Workers are guaranteed a minimum of fourteen days of annual leave and are covered by unemployment benefits legislation and National Insurance (social security) legislation.

¶62. (U) Trade unions, and the leaders of the trade union movement, enjoy a strong voice in the labor and economic affairs of the country through their participation in Barbados' Social Partnership, a tri-partite consultative mechanism. Approximately 25 to 30 percent of the labor force belongs to trade unions, but this small percentage belies the power and importance of unions in Barbados; all key sectors are unionized, with all private and public employees in agriculture, tourism, and at the airport and seaport belonging to a single union confederation.

¶63. (U) The major unions recognize the advantages accruing to Barbados from foreign investment and foreign expertise, and they are generally flexible and accommodating in their dealings with employers. However, local labor leadership is sensitive when it perceives a lack of respect for Barbadian laws and customs by large, visible foreign employers. It is generally cooperative with management in unionized shops.

¶64. (U) Barbados does not have labor legislation that mandates a legal process necessary for unions to achieve status as bargaining agents, and employers have no legal obligation to recognize unions under the Trade Act of 1954, but most employers do so when a majority of their employees desire representation. While there is no specific law that prohibits discrimination against union activity, the courts provide a method of redress for employees who allege wrongful dismissal. The courts commonly awarded monetary compensation but rarely ordered reemployment.

¶65. (U) The law provides for the right to strike, and workers exercised this right in practice. All private and public sector employees are permitted to strike, but essential workers may strike only under certain circumstances and after following prescribed procedures. In February 2008, a shop worker accused her Indian employers of wrongful termination, which resulted in the Barbados Workers Union's decision to call for a large-scale industrial action strike. In the same month, employees at an exclusive hotel illegally walked off the job to protest one of their colleagues' termination. Early contact and rapport with Labour Ministry officials and union leaders by foreign investors may be helpful in terms of fostering labor harmony.

¶66. (U) The law provides for a minimum working age of 16, and this provision generally was observed in practice. Compulsory primary and secondary education policies reinforced minimum age requirements. The Labor Department had a small cadre of labor inspectors who conducted spot investigations of enterprises and checked records to verify compliance with the law. These inspectors may take legal action against an employer who is found to have underage workers. Additionally, legislation to address termination of employment and benefits and to prohibit sexual harassment is pending.

¶67. (U) Parliament passed core regulations to implement the 2005 Occupational Safety and Health at Work Act, but the government had not implemented them by year's end. The Labor Department enforced other health and safety standards and followed up to ensure that management corrected problems cited. The law requires that in certain sectors firms employing more than 50 workers create a safety committee that could challenge the decisions of management concerning the occupational safety and health environment. Trade union monitors identified safety problems for government factory inspectors to ensure the enforcement of safety and health regulations and effective correction by management. The Labor Department's Inspections Unit conducted several routine annual inspections of government-operated corporations and manufacturing plants. Workers had the right to remove themselves from dangerous or hazardous job situations without jeopardizing their continued employment.

¶68. (U) There are no foreign trade zones or free ports in Barbados.

FOREIGN DIRECT INVESTMENT STATISTICS

¶69. (U) The Government of Barbados compiles statistics on Foreign Direct Investment (FDI) in the areas of branches, subsidiaries, undistributed earnings, and other investments. The Barbados Investment and Development Corporation (BIDC) reported that since 1995, FDI has increase on average by USD 1.6 million, but in 2003 alone shot significantly upward by more than USD 80 million from the previous year. FDI in 2006 totaled approximately USD 91.5 million, up from USD 62 million in 2005.

MAJOR U.S. INVESTORS

¶70. (U) American Airlines; Barbados Mills (Archer Daniels Midland); Bondhus Corp.; Carib Supply (B'dos) Ltd.; Charles T. Gamble Industries; Chevron Texaco; Cingular Wireless; Cirrus Logic; Citicorp Merchant Bank; Continental Airlines; C F Caribbean Flavors; Delta Airlines; Ecolab Barbados Ltd. (joint venture); Ernst & Young; Exxon Mobil; Federal Express; Lenstec Ltd.; MSI International Ltd.; Pricesmart Inc.; PriceWaterhouseCoopers; United Parcel Service (UPS); U.S. Airways; and Waggoner Barbados Ltd.

An American Chamber of Commerce (AmCham) has recently been formed and will be sponsoring monthly meetings and seminars to help promote American investment and business in Barbados. For further information, please contact the Economic/Commercial section at the U.S. Embassy.

Jake Aller
Commercial Officer
US Embassy, Bridgetown, Barbados
Tel: 246-277-4274
Allerjc2@state.gov

Jonelle Watson
Commercial Assistant
US Embassy Bridgetown, Barbados
Tel: 246-277-4052
watsonjm@state.gov

CONTACTS FOR INVESTMENT RELATED INQUIRIES

¶71. (U) The following are contacts for investment related inquiries:

Invest Barbados
Alico Building
P.O. Box 1009
Bridgetown,
Barbados, BB11142
Tel: 246-626-2000
Fax: 246-626-2099
Email: contact@investbarbados.org
Website: <http://www.investbarbados.org>

Invest Barbados - Miami Office
150 Alhambra Circle, Suite 1000
Coral Gables, Florida 33134
Tel: 305-442-2269
Fax: 305-567-2844

Invest Barbados - New York Office
800 Second Avenue, 2nd Floor
New York, New York 10017-4709
Tel: 212-867-6420
Fax: 212-682-7496

WEB RESOURCES

¶72. (U) Additional web resources include:

BARBADOS

Invest Barbados website: <http://www.investbarbados.org>; and The Industry and International Business Unit of the Ministry of Economic Affairs and Development Website: <http://www.barbadosbusiness.gov.bb>

UNITED STATES

Foreign Commercial Service, U.S. Department of Commerce:
<http://www.buyusa.gov/caribbean/en/>; and
<http://www.export.gov/index.asp>

Foreign Agricultural Service, U.S. Department of Agriculture:
<http://www.fas.usda.gov/>; and
<http://www.export.gov/fas/fas.asp?pName=mr>

OURISMAN